

MEMO

April 29, 2000

TO: FD2000 Project Coordinator
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I am concerned about the BPR proposal for changing USDA commodities as used by schools across the nation. It seems that this proposal was developed without involving a significant number of the School Food Authorities, rather only a small number of SFA's comments were considered. In 1992 the Child Nutrition Program Operations Study reported that 71% of SFA's managers rated the commodity food distribution system as excellent or very good. What is the necessity for change now based on only a few systems' complaints? This is a 63 year old program that overall has provided nutritious foods to America's children as well as providing price support and surplus removal of agricultural products. I am concerned that the changes as proposed would impact the School Lunch Program financially and thereby the nutrition of students. Specific comments regarding the 16 proposed changes follow. Please tabulate and publish all comments for nationwide access.

USDA's BUSINESS PROCESS RE-ENGINEERING (BPR)
(Also referred to as FD 2000 or USDA Proposal for Change)

1. Expand the use of long-term contracts

This appears to be a good concept however it could transfer the storage problem to vendors and ultimately result in increased costs to schools. The proposal's reference to an Internet based ordering system throws a red flag as well. As a result of local Internet activity, this would be a monumental task to set up and then to man.

2. Test best-value contracting

This could improve the existing FDP, however, how does it make vendors more responsible for product liability and food safety concerns? How will it work? Will any of the areas for evaluation create more paperwork or reporting for SDAs or SFAs such as percentage of on-time deliveries? What would be the effect on small vendors?

3. Update product specifications

Updating the pack size to industry standards, such as 40 pound cases of pork products instead of the current 36 pound case, does not appear to create a problem. However, updating product specifications as defined in USDA's proposal could result in significant changes in nutritional value from that currently provided in USDA products. Details of the changes to update each product specification with specific examples of potential changes in specifications should be made available for comment.

4. Allow vendors to use commercial labels

This would play havoc with inventory, locally and for distributors. It would also impact accountability issues such as which items damaged in delivery were USDA. The issue of whether or not generic labels imply lower quality is ridiculous. USDA products are known for good quality and no one sees the labels except those storing or preparing the food. Recalls are rare with USDA commodities but more and more frequent in the public market. Also, what would happen to the "produced in the USA" requirement?

5. Move toward national umbrella contracts with processors

This is a good idea.

6. Expand full substitutability of commodity product

This change could lead to many problems. Processors purchase raw products that are the most cost efficient for them. This often means non-domestic purchases such as beef from England or Argentina, strawberries from Mexico, etc., leading to product safety questions. Is imported food as safe as domestically produced foods? What are the requirements on imported products and will there be any grading requirements at all on 100% substitution? Will schools purchase directly from commercial inventories at the processor? Who monitors the planned assistance level (PAL)? There are many, many more commercial food alerts, recalls, and holds compared to the number of USDA alerts, recalls, and holds. Full substitution leaves a much larger supply of schools' foods subject to alerts, recalls, and holds.

7. **Work with states to test the seamless commodity distribution concept**
There are many questions about this proposal. Who monitors distribution, how will shipment bunching be avoided, who monitors grade or specification of products at the school level, what paperwork will be required, will all USDA foods go through a processor?
8. **Facilitate the processing of commodities with limited demand**
This could, if applied to the existing FDP system, greatly improve the program.
9. **Develop written hold and recall procedures**
This is a great idea that is much needed.
10. **Reduce the duration of product holds at the school level**
This too is a much-needed procedure.
11. **Publish commodity recall reimbursement procedures**
This is another excellent proposal that could be used now.
12. **Provide computer connectivity to the school district level**
HOW? I do not think that USDA can accomplish this within a reasonable period of time. Recent problems evidenced with DOD are a good example. Could USDA possibly connect all 60,000 SFAs nationwide and maintain such a system? Adequate tech support alone would be very difficult. Consider all the smaller systems with staff with minimal computer skills. What about the hardware or software that may be needed at the school level? What involvement would States have? Also, immediate notification of food safety problems by e-mail is not as easy as it sounds when many do not know what email is or do not have access to it.
13. **Provide a single USDA point of contact**
A single USDA point of contact could improve the existing FDP system. However, what does this single point of contact mean? Is USDA planning to have SFAs nationwide deal with one USDA person on various issues or is this point of contact for industry persons? SFAs who have a good rapport and working relationship with their SDA may prefer to deal with the SDA for various reasons, including the experience/education levels of various SFA personnel.
14. **Work with states and partners to pilot-test improvements**
Many state and local school nutrition program personnel were unaware until a few weeks ago that there were already nine pilots approved and/or in operation. How were these topics and pilots selected? Was there a public announcement eliciting pilots? How will these pilots be evaluated for improvement and results? What were the selection criteria for these pilots? Who are the control groups? How will the pilots be monitored? What are the objectives and anticipated outcomes for each pilot? Will all pilot evaluation results be published?
15. **Other Improvements: Facilitate the use of 4/11 funds for commodity purchases; encourage cooperatives; and relax truckload requirements**
Relaxing truckload requirements could greatly improve the existing FDP system. Additional stops could result for SODAs who have difficulty accepting foods with only a stop and a final on a truckload. Some states have warehouses or distributors who almost always receive full truckloads so there is no need to include a stop-off on the bids for those warehouses.

Using Section 4 and 11 funds for "additional commodity purchases from USDA" shifts procurement from the local level. Would SFAs lose control over product specifications? In Georgia the Section 4 and 11 funds amount to only 46% of cash revenue.

Why is USDA encouraging cooperatives through the FDP rather than through National School Lunch Program procurement training? Cooperative purchasing applies to all SFA purchasing, not just to USDA foods. What and whose interest is served by cooperatives for USDA food purchases?
16. **Streamline paperwork and reporting requirements**
Streamlining paperwork and reporting requirements is an excellent idea, but paperwork requirements throughout the School Lunch Program seem to have increased rather than decreased.